



Greater Tompkins County Municipal Health Insurance Consortium

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"Individually and collectively we invest in realizing high quality, affordable, dependable health insurance."

Approved 5-25-2017

Board of Directors

March 23, 2017 – 6:00 p.m.

Tompkins County Health Department – Rice Conference Room

Municipal Representatives: 21

Steve Thayer, City of Ithaca

Amy Guerri, Tompkins County

Mack Cook, City of Cortland

John Fracchia, Town of Caroline

Luann King, Town of Cincinnatus

Laura Shawley, Town of Danby

Kathrin Servoss, Town of Dryden

Ann Rider, Town of Enfield (arrived at 6:25 p.m.)

Judy Drake, Town of Ithaca

Tom Adams, Town of Marathon

Gary Hatfield, Town of Moravia

Gary Mutchler, Town of Scipio

David Schenck, Town of Springport

Tom Brown, Town of Truxton (arrived at 6:07 p.m.)

Richard Goldman, Town of Ulysses

Alvin Doty, Town of Willet (arrived at 6:13 p.m.)

Peter Salton, Village of Cayuga Heights

Chuck Rankin, Village of Groton

Rordan Hart, Village of Trumansburg

Bud Shattuck, Village of Union Springs

Jim Doring, Town of Preble

Labor Representatives: 2

Olivia Hersey, 3rd Labor Representative; Tim Farrell, 5th Labor Representative

Excused: 6

Charmagne Rungay, Town of Lansing

Eric Snow, Town of Virgil

Michael Murphy, Village of Dryden

Jim Bower, 2nd Labor Representative

Phil VanWormer, 1st Labor Representative and
Joint Committee on Plan Structure & Design
Chair

Doug Perine, 4th Labor Representative

Absent: 4

Sharon Hayden, Town of Aurelius

Don Scheffler, Town of Groton

Lee Brew, Town of Montezuma

Genevieve A. Suits, Village of Homer

Others in attendance:

Don Barber, Executive Director

Steve Locey, Locey & Cahill

Rick Snyder, Treasurer

Meghan Feeley, ProAct

Josh Allen, ProAct

Beth Miller, Excellus

Call to Order

Ms. Drake, Chair, called the meeting to order at 6:00 p.m.

Approval of Minutes of January 26, 2017

It was MOVED by Ms. King, seconded by Mr. Schenck, and unanimously adopted by voice vote by members present, to approve the minutes of January 26, 2017 as submitted.
MINUTES APPROVED.

Changes to the Agenda

The resolution entitled Adoption of Guidelines for Healthy Meetings was withdrawn from the agenda.

Chair's Report

Ms. Drake reminded Directors that they should provide advance-notice to the Administrative Clerk if unable to attend a Board meeting. Also, following each meeting a notification of all actions taken is sent to all Directors who were not in attendance. She asked that Directors acknowledge the receipt of that communication. Ms. Drake stated each legislative body must designate who will represent its municipality on the Board of Directors; the designation of a proxy is not permitted for the Board of Directors.

Ms. Drake announced the resignation of Michelle Wright of the Town of Ulysses from the Owning Your Own Health Committee. Also, Phil VanWormer, Chair of the Joint Committee on Plan Structure and Design, will no longer be a representative for labor which will result in the position of Chair of that Committee becoming vacant.

She distributed a summary of the proposed American Health Care Act and asked that any questions be directed to Mr. Locey.

Report from the Executive Committee

Ms. Drake, Chair, reported the Committee will meet on April 4th and will continue to talk about the size of the Consortium's committees and how to manage the structure of the Board as the Consortium grows.

Mr. Brown arrived at this time.

Report from the Executive Director

Mr. Barber provided an update on the Department of Financial Services (DFS) audit and said the last communication he received was on March 14th and was a request for clarification of information. He hopes to have a draft report from the Department by the May Board meeting.

He reported he was made aware of new requirements the Consortium has that relate to cybersecurity. The regulations have been reviewed and there are many parts that the Consortium would be exempt from as it works within the County's internet service that is through a secure server and ProAct and Excellus have the same abilities. He stated that municipalities are responsible for maintaining the privacy and security of any communication that is exchanged between that municipality and Excellus.

Mr. Barber said two orientation sessions for new directors have been held since the last Board meeting. The annual educational retreat is scheduled for May 10th at 9 a.m. in Legislature Chambers. He encouraged Directors to attend to hear a review of the background of previous retreats that have been held and topics, including the role patients play in managing the cost of the Consortium, choices subscribers have, and preventive care options that are available. The retreat will be videotaped and posted to the Consortium's website along with previous retreats under the Resources tab.

Mr. Doty arrived at this time.

Mr. Barber announced the March issue of the Newsletter has been distributed and is available on the Consortium's website. He welcomed feedback on the current issue as well as suggestions for future issues.

Mr. Barber said there are several retirees within the Consortium but there is no way to communicate the newsletter to them. A request will be made to municipalities to provide contact information to canvass retirees and provide the newsletter to them if they are interested in receiving it.

Consultant's Report

Mr. Locey reviewed financial results for the first two months of 2017 and said the Consortium is performing better than projected for those months; year-to-date the Consortium is approximately 2.28% over budget on premium. This is due to the budget being set at the population that existed at the time of budget adoption in the Fall and did not include those entities that joined in 2017. There was \$35,000 in Stop Loss recoveries and a small amount of insurance recoveries. On the expense side the Consortium is running approximately 7% below budget in aggregate between both medical and prescription drug expenses. He said reserve accounts are now adequate and the goal over the next couple of years is to use a small portion each year to mitigate rate increases.

He called attention to the Consortium's expenses and said over \$.93 of each dollar goes directly to pay for the benefits of members. The Consortium is expending only 6.5% to pay for everything else including Stop Loss insurance, Excellus administrative fees, and all other expenses. He said in the Affordable Care Act for a large health plan the administrative fees have to be under 15% of the premium for the plan to be considered efficient and the Consortium is at 3%. This shows that the Consortium is meeting its original goal and is operating very efficiently.

Mr. Locey said over the life of the Consortium claims have been 2¾ below what was expected and what has produced the unencumbered balance that will be used to mitigate rate increases moving forward.

Ms. Rider arrived at this time.

Mr. Doring asked if a number of years go by where claims are substantially less than budget at what point would the rates be lowered due the accumulation of too much money. Mr. Locey said the goal is to try to lessen premium increases and keep them stable for the longest time possible and over the last couple of years the Consortium has used a rate increase of 5% as a target. The goal is to keep rate increases modest and manageable for municipalities; trends are being reviewed regularly and adjusted accordingly. Mr. Snyder responded to a question concerning how the Consortium deals with its cash and said the Consortium follows the same rules municipalities are required to follow. Because it is not permitted to invest in stocks or bonds, most of money sits in low interest-generating accounts such as savings or money market accounts. Mr. Barber commented that budgets are developed using a five-year proforma and a goal of the Audit and Finance Committee is to have 18% of the total income be balanced out with the unencumbered fund balance.

Actuarial Value Calculations

Mr. Locey said a calculation was run on the actuarial values for the Metal Level Plans and Excellus had also run the calculation. It was originally thought that the Silver Plan would need to be adjusted; however, the Excellus calculation showed it to be slightly under the

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threshold. He will be meeting with Excellus to confirm this which would mean there would not need to be any changes made this year.

Mr. Locey stated that the under Article 47, the Consortium is required to maintain a reserve for claims that have occurred but have not been paid. This is called Incurred But Not Reported (IBNR). He reported that our Actuary has completed the calculation of IBNR liability for 2016. The calculated IBNR for 2016 is \$2.677 million which is 7.45% of 2016 paid claims. The Department of Financial Services requires the Consortium to maintain an IBNR reserve of \$4.431 million (12% of 2016 paid claims). This analysis shows that our IBNR Reserve exceeds our actual IBNR so that the Consortium is well protected.

Treasurer's Report

Mr. Snyder reported the Consortium's year-end audit is underway and will be brought to the next meeting. He is also working on the Consortium's Annual Financial Statement (JURAT); that will be presented at the April Audit and Finance Committee meeting.

Mr. Locey reported the year-end Actuarial report was received on the Consortium's IBNR (Incurred But Not Reported) claims. The report showed the IBNR performance was \$2.7 million; the State requirement is \$4.4 million.

RESOLUTION NO. 002- 2017 – IMPLEMENTATION OF A PROCESS TO ALLOW FOR REIMBURSEMENT OF PRESCRIPTION MAINTENANCE MEDICATION PURCHASED VOLUNTARILY AND INDEPENDENTLY BY COVERED INDIVIDUALS THROUGH CANARX

MOVED by Ms. Rider, seconded by Mr. Fracchia.

Ms. Drake reported there was an article in the Washington Post on March 17th entitled "Four former FDA (Federal Drug Commission) Commissioners denounce drug importation citing dangers to consumers" and asked if there were any comments. Mr. Cook referred to a comment that the new federal administration will consider closing all loopholes that allow offshore pharmacies and drug makers to import products in the United States that they claim are affecting consumers and are against the "Make America Great" concept. He said there is a provision in the law that has not been enforced that prevents the importation of drugs and the expectation is that the new Secretary of Human Services will start to enforce that provision. He said it is unknown how long CanaRX will be able to survive in that environment but since the Consortium would not be a contracted party he doesn't see it being as risk by moving forward with CanaRX.

Ms. Drake said ProAct and Joe Scotti of CanaRX were asked to provide a response to a specific section of the article that stated: "the vast majority of Internet sites that advertise as being Canadian are actually based in South America, Eastern Europe and Russia. Consumers have no reliable way of knowing where the drugs are actually coming from or what's in them. Nor can recipients be sure they're getting what they ordered". Ms. Feeley said a lot of what is referenced in the article relates to internet sources and that is not what CanaRX is. The medications coming from CanaRX are from Tier I countries and are FDA approved.

Mr. Salton said the CanaRX representative said the drugs that come from CanaRX are in sealed packaging from the manufacturer. What has been represented to the Consortium is that these drugs are getting into Canada through federal, U.S. means and are coming back over the border at a better price because Pharma is not involved.

Ms. Rider said this is a contract between the member and CanaRX. She said she has utilized the program as a County retiree and has had no complaints. Mr. Goldman said if the Consortium was not involved it would not be considering a resolution. Ms. Drake clarified that although not a party to a contract, the Consortium would be paying the bill. Mr. Hart said by providing reimbursement to CanaRX on behalf of covered individuals who choose to purchase medications through CanaRX is not a statement of endorsement.

Mr. Brown said as a medical service provider he does not have any greater concern over the medications coming from CanaRX than he would with medications coming from the United States. He expressed skepticism as a personal citizen with the CanaRX program but as a town representative he thinks it is a good idea to give members the choice to enroll in the program if they choose to.

Mr. Fracchia said he usually supports anything that can save consumers money; however, is concerned about possible repercussions if the law starts to be enforced and what that could mean for consumers.

Mr. Locey said his best guess as to what would happen if the law was enforced would be that the Consortium would be ordered to cease and desist. He said the government would likely stop letting the packages come through at the border. The only fear he would have from the Consortium's perspective is what would happen if someone received a bad drug and if the same protections would not be in place as they are with medications obtained within the United States.

Mr. Cook said he doesn't see a risk for the Consortium but doesn't think the savings should be overstated and incorporated into a long-range budget plan because this could end at any time. Mr. Fracchia questioned if by authorizing something that is against the law in the United States whether the Consortium would be jeopardizing its Directors and Officer's coverage if challenged. Mr. Barber commented that CanaRX carries liability insurance and would indemnify the Consortium.

Mr. Goldman asked if other consortiums use CanaRX. Mr. Barber said there are over 700 municipal consortiums across the United States that use CanaRX of which one is an Article 47.

MOVED by Ms. Rider, seconded by Mr. Fracchia. A vote by show of hands resulted as follows: Ayes – 21, Noes – 3 (Fracchia, Goldman, and Rungay*); Excused – 10. RESOLUTION ADOPTED. *Upon notification to Directors not in attendance the vote record was adjusted accordingly).

WHEREAS, CanaRx Services, Inc. ("CanaRx") is a Canadian Corporation, incorporated in 2002 that holds itself as providing safe, affordable brand name maintenance medications at a uniform reduced cost to American residents, and

WHEREAS, CanaRx contracts with government-licensed pharmacies in Canada, the United Kingdom, Australia, and New Zealand to supply government-certified Name Brand 90-day maintenance medications (approximately 300 medications) packaged and sealed by the original manufacturer, for direct delivery to participants, and

WHEREAS, CanaRx purports to be fully HIPAA compliant, fully-licensed, fully-regulated, and compliant with the laws of the dispensing jurisdiction, and

WHEREAS, CanaRx offers the purchase of its medications via voluntary participation for personal use, and CanaRx has represented that its importation of FDA-approved prescription medicine made by FDA-regulated manufacturers, rigorously conforms with the standards set forth by the United States Food and Drug Administration, is fully legal under the laws of the United States, and poses no additional risk the public's health and safety, and

WHEREAS, the Greater Tompkins County Municipal Health Insurance Consortium (the "Consortium") has relied on these representations, warranties, and assurances, and

WHEREAS, the Consortium will not enter into any direct contractual arrangement with CanaRx in order to pay the prescription medication claims incurred by covered individuals within the Consortium who voluntarily and independently choose CanaRx to fill those prescriptions, and

WHEREAS, the Consortium's current health benefit plans offer mail order copays of \$10-\$30 for 2 tier plans, and \$20 to \$140 in 3 tier plans, and

WHEREAS, the CanaRx formulary has a \$0 copay for all medications, which saves members in 3-tier plans between \$80 and \$560 per year, and

WHEREAS, a study by ProAct, Inc. ("ProAct"), of the Consortium's 2015 drug utilization performance predicted that utilization of CanaRx medications would cost on average 65% less than the same medications purchased through ProAct, and using the 2015 drug utilization performance that study further predicted that had all 5,392 claims for medications available from the CanaRx formulary been purchased from CanaRx, the Consortium's medication claim spend would have been decreased by more than \$1.6 million representing a significant reduction of the cost of covered medications, and

WHEREAS, the Owning Your Own Health and Joint Committee on Plan Structure and Design have adopted resolutions urging the Consortium to take advantage of this opportunity for its members, and

WHEREAS, Tompkins County has been permitting its covered employees and retirees to use CanaRx to fill their Brand Name maintenance medications since 2007, now therefore be it

RESOLVED, on recommendation of the Owning Your Own Health Committee, Audit and Finance Committee, and the Joint Committee on Plan Structure and Design, That the GTCMHIC Board of Directors hereby directs the Executive Director to give notice to its current Prescription Benefits Manager, ProAct, to implement a process with CanaRx to allow for reimbursement of the cost of prescription maintenance medication purchased voluntarily and independently by covered individuals through the CanaRx formulary, and

RESOLVED, further, That the GTCMHIC Board of Directors hereby agrees that the Consortium may implement such processes as are necessary to provide for such reimbursement directly to CanaRx on behalf of covered individuals choosing to purchase prescription maintenance medication through the CanaRx formulary, including those employees of Tompkins County with pre-existing CanaRx contracts.

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Report from the Joint Committee on Plan Structure and Design

Mrs. Shawley, Vice Chair, reported at the last meeting the Committee discussed and recommended the Consortium move forward with the CanaRX program. The Committee

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appointed Tim Farrell to be the 5th Labor Representative to the Board and David Flaten to be an alternate Director. There was also an update on obstacles that have been incurred relative to creating a fourth prescription drug tier. Ms. Miller provided the Committee with a very interesting presentation on Telemedicine.

Report from the Audit and Finance Committee

RESOLUTION NO. 003- 2017 – ACCEPTANCE OF MEDICAL CLAIMS AUDIT REPORT

MOVED by Mr. Thayer, seconded by Mrs. Shawley, and unanimously adopted by voice vote by members present.

Mr. Thayer said 37 issues were initially identified in the audit but that list has been reduced to only a few. A conference call will be held to discuss and move towards resolution of the remaining items.

WHEREAS, the New York State Department of Financial Services during its initial audit recommended that the Consortium conduct periodic medical claims audits, and

WHEREAS, by Resolution No. 014 of 2016 the Board of Directors authorized a contract with BMI Audit Services to perform a medical claims audit to ensure medical claims are paid by Excellus are in accordance with benefit plan documents, Federal and State Laws, Rules, and Regulations, and industry standard practices, and

WHEREAS, BMI has completed the medical claims audit and presented the final report to the Audit and Finance Committee, now therefore be it

RESOLVED, on recommendation of the Audit and Finance Committee, That the Board of Directors accepts the final audit report presented by BMI on 2016 Medical Claims.

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RESOLUTION NO. 004-2017 – ADOPTION OF ADMINISTRATIVE PROCEDURES FOR HANDLING REQUESTS FOR PROPOSALS

MOVED by Mr. Thayer, seconded by Mr. Salton, and unanimously adopted by voice vote by members present.

WHEREAS, a need has been identified to establish administrative procedures relating to the manner by which requests for proposals are handled administratively by the Consortium, and

WHEREAS, this process is intended to ensure continuity in the process used for issuing proposals through to execution of a contract, now therefore be it

RESOLVED, on recommendation of the Audit and Finance Committee, That the following Administrative Procedures for Handling Requests for Proposals is hereby adopted:

- The Executive Director will monitor expirations dates of contracts and notify the Audit and Finance Committee of upcoming RFP's that need to be issued or the need to issue an RFP for new services (*see Consortium Procurement Policy*).
- The Executive Director will work with the Consultant to develop a draft RFP and present to the appropriate Consortium committee for approval to issue the RFP. The Board of

Directors shall approve the issuance of RFPs for Medical Claims Administrator, Pharmacy Drug Manager, Consultant, Executive Director, any other RFP for services being provided for the first-time. RFPs for routine services (auditing, actuary) may be issued upon approval of the appropriate Consortium committee. The committee recommending the issuance of an RFP will consider and make a recommendation on the creation and membership of a special committee to review responses.

- The Administrative Clerk will distribute final RFPs electronically to companies that have responded previously and any others suggested by the Executive Director, Consultant, or Treasurer. The document will be posted on both the Consortium website and the New York State Purchasing website.
- RFP's will be submitted to the attention of the Administrative Clerk.
- As responses are received they will be forwarded by the Administrative Clerk to the Consortium's Executive Director and Consultant.
- Any questions submitted will be forwarded to the Executive Director and Consultant upon receipt. If an addendum is warranted it will be developed as quickly as possible and provided to the Administrative Clerk. The Administrative Clerk will distribute it electronically to the initial distribution list and post on the Consortium and New York State Purchasing websites.
- If an addendum is issued less than four calendar days prior to the due date the response due date shall be extended by four days from the date the addendum was issued.
- If a committee has been established to review responses, the Administrative Clerk will set meetings and provide the membership with all responses.
- The Executive Director and the Consultant will present the Audit and Finance Committee with a report on the responses and a recommendation or the recommendation of the review committee. The Audit and Finance Committee shall make a recommendation to the Board of Directors. *Per the Consortium's Procurement Policy written evaluations of each response must be provided and the Board of Directors shall authorize the award and contract for the requested service(s).*
- Upon approval of a contract the Administrative Clerk will work with the Executive Director to secure a contract. The County's Contracts Coordinator will review contracts prior signing by a Consortium representative.
- The Administrative Clerk will see that a contract is signed by all parties to the agreement, return a copy of the agreement to all parties, and file a copy in the Consortium's records and with the Consortium Treasurer.

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RESOLUTION NO. 005-2017 - AUTHORIZATION FOR CHAIR TO SIGN CONTRACT - CSEA DENTAL/VISION PLAN

MOVED by Mr. Thayer, seconded by Mrs. Shawley, and unanimously adopted by voice vote by members present.

Ms. Drake said in addition to dental and vision plans there is also short-term disability and life insurance products that are available to interested municipalities. If anyone has questions they should contact her or Mr. Locey.

WHEREAS, members of the Greater Tompkins County Municipal Health Insurance Consortium (GTCMHIC) have access to dental and vision coverage through CSEA, and

WHEREAS, this benefit is not a Consortium product, so the premium costs are a straight pass through with those members protected by this benefit paying all of the premium cost, and

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WHEREAS, the members using this benefit from CSEA are very happy with the cost and benefit coverage, now therefore be it

RESOLVED, on recommendation of the Audit and Finance Committee, That the GTCMHIC Board of Directors authorizes the Chairperson to sign a three-year contract for this benefit package with CSEA Employee Benefit Fund for the period July 1, 2017 thru June 30, 2020.

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Mr. Thayer, Chair, reported the Committee is working on an invoice payment policy and will continue discussion of how many plans a partner can offer. The Committee is also looking at cybersecurity, a fourth prescription drug tier, and will continue to review the financial activity and audits.

Report from the Owning Your Own Health Committee

Mr. Barber, Executive Director, reported the Committee met yesterday and continues to work on the resolution that was withdrawn from the agenda entitled Adoption of Guidelines for Healthy Meetings. The Committee received an analysis of the flu clinics and was informed 26% of the Consortium's covered lives receive the vaccination. He said that this percentage compares very favorably with information he has received that Excellus book-of-business has a participation rate of 17%. He spoke of the Blue4U wellness program which is a benefit that is included in all Metal Level Plans. The Committee will continue to discuss ways to communicate to members that this benefit is available.

Adjournment

The meeting adjourned at 7:09 p.m.